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Pensions & Investment Age

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IRS recalls GM plan ruling

By Nicky Robertshaw

WASHINGTON — The Internal Revenue Service is reconsidering the tax-exempt status of the more than $11 billion General Motors Corp. salaried retirement program after complaints GM illegally cut back some employees' early retirement benefits.

The problem stems from the transfer to Electronic Data Systems Corp. of some GM employees following GM's 1984 takeover of the Dallas firm. The transferred employees became participants in the EDS pension plan. Under the terms of the EDS plan, employees do not become eligible for early retirement as quickly as they would under the GM plan.

In an Aug. 5 letter, IRS officials said GM no longer can depend on a March 1986 favorable determination letter on its salaried plan, because the letter might have been issued in error.

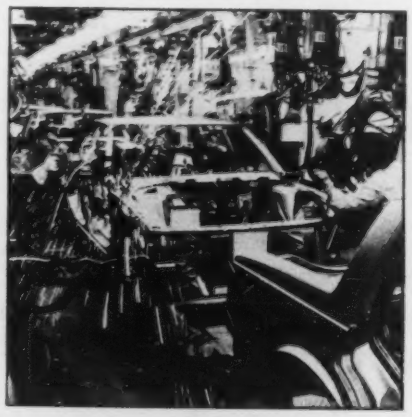
The letter was issued after GM directors amended the salaried plan to exclude employees of any subsidiary acquired after March 1, 1984, from participation in the plan, including the credited service portion. The amendment was approved Oct. 3, 1984, after the directors agreed to merge with EDS. The merger was completed two weeks later.

A favorable determination letter informs an employer the IRS believes the plan meets qualifications for tax-exempt status. Although employers are not required to obtain such a letter, virtually all do, and the letter remains in effect until the plan experiences substantive amendments, in which case the company must reapply.

The IRS officials said the determination process for the plan is being reopened and, in the meantime, GM would have a chance "to amend the plan or otherwise resolve any of the issues raised without jeopardizing the continued qualified status of the plan."

A GM spokeswoman said the company is "cooperating fully" with the IRS. Although company executives don't believe the agency will find any reason to drop the fund's tax-exempt status, it will address any problems the IRS might find, she said.

The IRS reviewed GM's determination status after being notified by Sen. Carl Levin, D-Mich., of complaints from GM employees, according to an aide for the senator.



The IRS is reviewing a GM retirement plan because of amendments made by the automaker's directors.

Among the issues the IRS is re-examining is a possible violation of section 411(d)(6) of the Internal Revenue Code that deals with determining eligibility for a subsidized early retirement benefit. This provision forbids employers from decreasing an employee's accrued benefits; it was amended by the Retirement Equity Act of 1984 to prevent reduction or elimination of early retirement benefits as well.

The retirement act is effective for any plan amendments made after July 30, 1984.

At issue are the early retirement benefits for some 7,000 GM data processing employees who were transferred to EDS and, in the process, were switched to EDS' defined benefit plan.

The GM plan has a 30-and-out provision, which gave an employee an early retirement option after 30 years of service regardless of age. The EDS plan sets age 55 as the requirement for early retirement.

Two of the transferred employees, who would have reached the 30-year mark this year, sued GM in 1984, claiming they were entitled to remain eligible for the 30-and-out program.

In responding to the charges, GM pointed to the Oct. 3, 1984, amendment.

U.S. District Court in Flint, Mich., ruled in favor of GM. The decision has been appealed to the 6th U.S. Circuit Court of Appeals.

The applicability of the Retirement Eq-

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Bull market lifts funds $800 billion

By Brad Rudin and Marlene Givant

The bull market, which celebrated its fifth anniversary Aug. 13, has added at least $800 billion to the nation's pension funds and radically altered the ways in which they are managed.

The bull market:

- contributed to the overfunded status of many of the nation's pension plans and encouraged some corporations to terminate those plans and recoup $16.4 billion in surplus assets. It allowed other companies to cease making contributions to their plans.
- sparked explosive growth in the use of index funds for pension fund management, and increased the disenchantment with active equity management.
- fueled rapid growth in the use of portfolio insurance products and other hedging techniques as pension executives positioned their assets so they will avoid giving back the gains when the bull market ends. Such techniques have been blamed for causing sudden large declines in the stock market.

During the bull market, the nation's total private and state and local government pension assets increased to an estimated $2.3 trillion from approximately $1 trillion. More than $800 billion of that was from the stock market; the median equity manager achieved a compound annual return for the period of more than 24%, according to Pensions & Investments' Performance Evaluation Report. The Standard & Poor's 500 stock index gained 29.7% in the same period.

Strong gains in the stock market, and in the bond market for much of the period, that far exceeded rates assumed for actuarial purposes meant many corporate pension funds were more than fully funded on a termination basis.

"Plans are overfunded, but no more than they were in early or mid-1982 because bond rates came down . . . which leaves (plans) in a pretty healthy position," said Robert D. Arnott, vice president and equity strategist at Salomon Brothers Inc., New York.

The net present value of liabilities has risen in line with the value of the asset base, he said.

He estimated the assets of U.S. pension funds have gained $1 trillion in the

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CORPORATE FINANCE: AMI Holdings' ambitious recapitalization will let it refinance long-term debt, give a greater equity stake to employees and allow its equity investors to regain part of their investment — Page 19.

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Euroconvertible market growing

By Marcia Parker

NEW YORK — U.S. institutional investors, hungry for ways to reap the rewards of the worldwide bull market and move with the tide of international equity investing, are starting to snap up U.S. dollar-denominated and newer non-U.S. dollar-denominated convertible securities issued by foreign companies in London.

Several money managers are looking at investing in convertibles, including Trust Co. of the West, Los Angeles, which manages $1.5 billion in convertibles; Calamos Asset Management Inc., Oak Brook, Ill., with about $200 million in convertibles under management; and Alliance Capital Management Corp., New York, which manages more than $500 million in convertibles.

Good statistics are hard to come by, but investment bankers and dealers say the number of convertibles issued by foreign companies has doubled in the past year. More than $25 billion in convertibles issued by British, Japanese, Australian and other companies are outstanding. They are about evenly split between U.S. dollar-denominated and non-U.S. dollar-denominated.

"The story of the past few years has been the explosive growth of domestic convertibles. The story for the next five years will be the continued growth of equity-linked securities for non-U.S. companies," said Marc Suvall, managing director at First Boston Corp., New York.

"The world loves equity-linked securities. Everyone wants a piece of the international equity market."

William Gridley, manager of international equity-linked trading for First Boston, said the market for U.S. dollar-denominated convertibles by U.S. companies has matured and is moving on.

"The appetite among U.S. investors is growing. They are moving from domestic equity investing to international equity investing and from international equity investing to international equity-linked investing," Mr. Gridley explained.

The Euroconvertible market growth has been especially strong in Eurosterling issues, fueled by the strength of the U.K. equity market.

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Small fund making global move

By Marlene Givant

ST. LOUIS — Defying its small size, the $85 million Edison Brothers Stores Inc. pension fund has started lending global securities.

At the same time, while other funds are boosting cash, Edison, a women's shoe and apparel retailer, is raising its equity exposure.

The few U.S. funds that lend global securities are billion-dollar ones, but Edison officials have decided to lend a small amount of Japanese equities and bonds in conjunction with the fund's domestic lending program. Lending is handled by the Harborside, N.J., office of the fund's master trustee, Bankers Trust Co., New York.

BEA Associates Inc., New York, runs the fund's entire portfolio, which includes less than 5% in foreign equities and fixed income.

The firm's value approach and Edison's innovative attitude have paid off. For the 12 months ended March 31, the fund returned 16.1%. For the three- and five-year periods, the fund reported compound annualized returns of 21.1% and 20.4%, respectively.

CDA Investment Technologies Inc., Silver Spring, Md., reported a median balanced fund from a universe with a 50-50 bond-equity mix returned 14.1% for the year ended March 31. For the three- and five-year periods, the compound annualized returns were 19.6% and 19.4%, respectively.

Three months ago, the Edison fund's asset mix was almost evenly divided between stocks and bonds. Now the overfunded plan has moved toward 60% in equities.

"We're willing to assume slightly more risk in anticipation of greater returns. That's why we're moving in that direction," said Suren S. Singhvi, vice president and treasurer.

The decision to boost equities also follows a late 1986 shift of $21 million to a fixed-rate annuity account for retirees set up with New York Life Insurance Co., New York.

"This really fits within (that) overall strategic allocation of their assets. Therefore, the proportion we've been running in a balanced portfolio can be increased toward more common stocks," said John B. Hurford, managing director of BEA, which manages about $7 billion for U.S. tax-exempt clients.

Mr. Singhvi considers the $21 million account separate from the $85 million pension fund. The assets previously were managed by BEA.

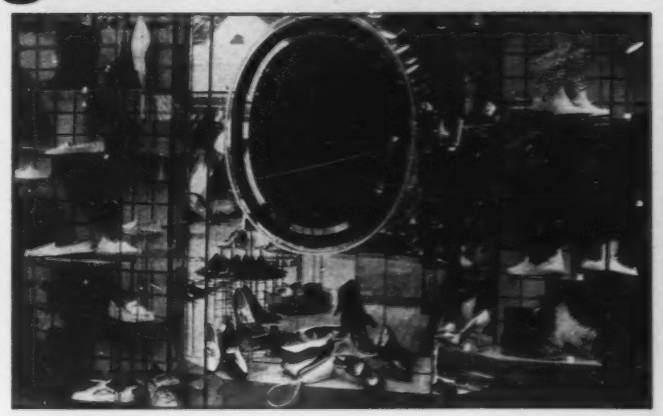
Because BEA is supposed to outperform its peers in down markets, Mr. Singhvi is not nervous about adding to equities while others cut back.

"They are value managers relying on selection of securities when they see long-term potential. It doesn't matter whether people are getting out or getting in," he said of the stock market.

A relative value manager, BEA strategists believe price-earnings ratios for U.S. companies are hardly rock-bottom, but still worth being bought.

"We're still looking at lower p/e stocks. They're not as low absolutely as we'd like, but that doesn't preclude us from buying equities," said Mr. Hurford.

For international securities, "we're looking for diversification and names with relative valuations attractive compared to companies in the U.S. market. When we buy a foreign stock we'd like a p/e lower relative to p/es (of stocks) we would buy in this country," he said.



The Wild Pair is one of the shoe franchises owned by Edison Brothers Stores. Despite its size, the company's fund is entering global securities lending and is bucking the trend by boosting equities.

For fixed income, the firm looks for undervalued credit names in sectors selling at depressed levels. The firm adds value through swapping, but does not make big market-timing bets.

To a smaller extent, Edison enhances returns through securities lending, which it has done with Japanese securities since March 1.

"The results were more than originally projected," Mr. Singhvi said. The revenue varies from month to month because loans are short-term — for three to seven days. The fund sometimes lends corporate bonds and government securities as well as equities. ■

Feodor Pitcairn handled foreign securities at Fidelity Bank before joining his family's company. He's now chairman of the board.

Pitcairns pursue pension portfolios

By Hank Berkowitz

JENKINTOWN, Pa. — The Pitcairn family, one of America's wealthiest and most private families, is opening its business doors to institutional investors.

Although other wealthy families such as the Rockefellers, Bessemers and Pews have shared their financial staffs with high-net-worth individuals, the Pitcairns are believed to be the first to pursue pension plans and other tax-exempt institutional assets in a commercial venture.

The Pitcairn Co. is offering a host of investment products — from traditional equity investments to real estate, oil and gas and perhaps leveraged buy-outs and venture capital. Custodial and actuarial services also may

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Eastern fight traps trustees

By Nicky Robertshaw

WASHINGTON — Now that a federal judge has blocked any shareholders from tendering the shares held by Eastern Air Lines Inc.'s stock ownership plan, attorneys for all the parties will be working to resolve the issue of how trustees for the shares can legally respond to the offer.

U.S. District Judge Thomas Penfield Jackson in the District of Columbia issued a preliminary injunction Aug. 12 blocking anyone from tendering Eastern Air Lines 20% participating, non-cumulative convertible preferred stock pursuant under TAC Acquisition Inc.'s tender offer. TAC is a subsidiary of Texas Air Corp., the new owner of Eastern.

In response to the court's action, the offer, which had been set to expire Aug. 14, has been extended to Aug. 28 and made effective for all the shares rather than the original 1.6 million shares, according to the revised tender offer filing with the Securities and Exchange Commission.

Texas Air's move to extend its tender offer is seen as an indication the company intends to press forward despite the opposition.

"It's a signal it's not a small issue for Texas Air," said Timothy Pettee, airline analyst at Bear, Stearns & Co., New York. He added the move is a precursor to labor negotiations set for later this year with Eastern employees, and given that the dividends on the stock are 20% of net income, "It's a potentially expensive preferred stock issue."

The block of stock owned by the Eastern Wage Investment Program Trust has been a thorn in the side of Eastern and its new owner, Texas Air, since the November 1986 merger. Under the terms of the preferred stock, the trust can block certain major business changes.

The terms of the trust, which Eastern set up in 1984 in exchange for major employee concessions, also spell out the shares may not be tendered.

The judge's ruling addressed the concerns of plan trustees, who at an Aug. 11 hearing argued they would be liable for breach of fiduciary duty whether they tender the shares or decline to tender the shares.

Each trustee "prays for guidance from the court as to whether it must adhere to plan and trust provisions restricting the transfer of the preferred shares, or make a decision to tender or not, based solely on its own analysis as a fiduciary under the Employee Retirement Income Security Act as to the pecuniary merit of the offer, disregarding the transfer restrictions in the trust and the plan agreement," Judge Jackson wrote.

Attorneys for the airline had argued the trustees could rely on a legal opinion contained in TAC Acquisition's July 17 tender offer for the plan shares, which states that under the fiduciary duties set forth in ERISA, the trustees — in making an independent judgment — may be required to tender the shares despite the restrictions on transfers set forth in the plans.

An attorney for the Air Line Pilots Association took issue with this argument, adding that under the collective bargaining requirements of the Railroad Labor Act the voting restrictions set forth in

Continued on page 51

The *P&I Age* monthly indexes track the changes in the Standard & Poor's 500 stock index, the Frank Russell Co.'s Russell 3000 stock index, the Ryan Index of fixed-income securities and the Shearson Lehman Government/Corporate bond index.

***P&I Age* July indexes**

	Latest mo.	Year to-date	Trailing 12 mos.
S&P 500	5.08	33.97	39.38
Russell 3000	4.27	30.04	32.85
Ryan Index	−0.56	−2.35	0.55
Shearson Lehman Gov't./Corp.	−0.22	−0.66	3.77

Source: Rogers, Casey and Barksdale Inc., and Frank Russell.

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Passive strategies lure Illinois funds

URBANA, Ill. — The University of Illinois' two endowment funds, with $120 million in total assets, dropped long-time managers to move into index and mutual funds, said Rea Jones, assistant vice president-business affairs.

The funds are the $85 million University of Illinois Foundation Endowment Fund, a private, not-for-profit corporation, and the $35 million University of Illinois Endowment Fund, which is controlled by the university's trustees.

The foundation dropped Continental Illinois National Bank & Trust Co., Chicago, while the university fund dropped First Chicago Investment Advisors. Both ran balanced portfolios; they were terminated primarily because they didn't offer passive strategies the funds desired.

Both funds also will drop First National Bank of Chicago as custodian.

Because of the move to index and mutual fund strategies, the endowment funds will hold only shares of commingled funds, rather than individual securities, so they won't need a separate custodian, Mr. Jones said.

The foundation hired American National Bank & Trust Co. of Chicago, to run four index funds — $21.25 million each in funds tracking the Standard & Poor's 500 stock index and the Shearson Lehman Government/Corporate bond index and $8.5 million each in a small-capitalization stock fund, tracking the Wilshire 5000 stock index minus the S&P 500, and a foreign stock fund, tracking the Morgan Stanley Capital International Europe, Australia Far East index.

Also, the foundation hired Miller Anderson and Sherrerd, Bala Cynwyd, Pa., to run $25.5 million in a balanced account of mutual funds, with equities not to exceed 50% of the portfolio.

The university endowment fund hired Wells Fargo Investment Advisors, San Francisco, to run $19.25 million in a South Africa-free S&P 500 index fund and Miller Anderson and Sherrerd to manage $15.75 million in a South-Africa free bond mutual fund.

Mr. Jones said the university endowment plans to hire a closed-end real estate manager later this year to run 10% of its assets, taking the money equally from its two new managers.

Unlike the university endowment fund, the foundation doesn't follow the university's restrictions on buying securities of companies with operations in South Africa, said Mr. Jones. He noted American National doesn't offer a South Africa-free fund.

He pointed out the funds are separate legal entities, although they share similar investment advice, and separately used the same search consultant, Ennis Knupp & Associates Inc., Chicago. ■

Corrections & clarifications

• In a July 27 article on convertible securities, **John Calamos** was identified incorrectly as managing director of Noddings-Calamos Asset Management Inc. Mr. Calamos and Tom Noddings have parted; Mr. Calamos is president of Calamos Asset Management Inc.

• The figure reported in the July 27 issue for **Ford Motor Co.**'s 1986 pension expense reflected worldwide expense. Ford's domestic expense was $544.8 million, an increase of only 1.2% from 1985.

Money movers appear in each issue of *Pensions & Investment Age*.

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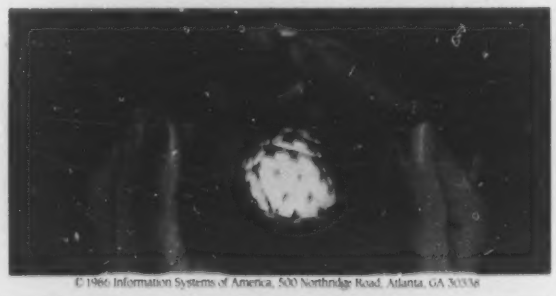

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Cash Management

Treasurers focus greater attention on cash portfolios

By Sheryl L. Cohen

Treasury executives increasingly are bringing their corporate cash portfolios under more rigorous investment management by hiring their first outside money managers, requesting broader authority to use newer types of strategies and seeking better performance measurement benchmarks.

At Joseph E. Seagram & Sons Inc., New York, cash managers have commenced a first-time search for managers to invest up to 90% of Seagram's treasury assets with four managers, according to Ronald F. Reed, director-cash management. Seagram would retain 10% for in-house, day-to-day management.

At Eastman Kodak Co., Rochester, N.Y., cash executives are considering their first use of futures and options to hedge a preferred stock portfolio that already is being run by an outside manager.

Although more companies are employing outside managers to help invest corporate cash, many still rely on internal staffs to oversee most short-term cash investments.

In an informal telephone survey of 10 companies, *Pensions & Investment Age* found three employ outside managers.

None has more than three employees in the investment area in the cash management department. In fact, many have only one, and often investments are only a fraction of their duties.

At Nike Inc., Beaverton, Ore., for example, only one employee has duties that include investing Nike's $125 million in corporate cash.

Despite the size of their cash portfolios, most of the managers claim their small staffs are adequate. But a growing number recognize that outside managers can provide expertise, more complex strategies and potential for higher returns.

The *P&I Age* survey also found a preference for liquidity and safety in corporate cash investments, even at the cost of higher yields.

Among other companies surveyed:

- Henley Group Inc., La Jolla, Calif., although just more than a year old, already hired one outside manager to run a some corporate cash investments.
- Josten's Co., Minneapolis, runs all its corporate cash investments in house. The manufacturer of school-related supplies moves from being a net investor in summer to a net borrower in fall in a fairly predictable yearly cycle.
- CF Industries Inc., Long Grove, Ill., also must plan corporate cash investments around what one executive terms "a very seasonal cash flow."

The chemical fertilizing company uses only in-house staff for investing its $95 million cash portfolio, claiming, "We feel we know cash flow cycle's better than someone

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Portland General switches

PORTLAND, Ore. — Portland General Electric Co. switched to Shearson Lehman Brothers Inc., New York, as its commercial paper dealer, said William E. Beyer, manager-cash and banking at Portland General Corp., the parent company.

He said Shearson Lehman replaces Merrill Lynch Money Markets Inc., New York, but declined to disclose the reason for the change.

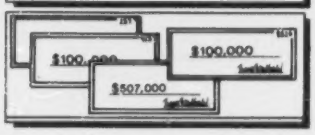
Mr. Beyer added, however, the switch in commercial paper dealers will not affect the company's loan participation program, which is spread among five banks.

"We intend to use both markets right now," he said.

Loan participations is "not just another alternative, it's a very competitive alternative right now," he added.

The company had about $100 million in commercial paper and about $43 million in loan participations outstanding as of June 30.

Cash accounts



Direct deposit slated

CINCINNATI — Procter & Gamble Co. is beginning a program to offer individual shareholders direct deposit of their dividends, said M. Eugene Bailey, section manager-treasury management.

He said the dividends would be deposited electronically to 6,000 of the company's 85,000 shareholders, starting with the Aug. 15 dividend.

Fifth Third Bank, Cincinnati, will originate the transactions for Procter & Gamble in a preauthorized payment and deposit, or PPD, format through the automated clearinghouse to accounts at shareholders' banks.

Mr. Bailey was unable to quantify any cost or saving of the new program.

"It's somewhere between breakeven or costing us a few bucks on lost float," he said.

The program "was conceived as an investor relations service," but he noted the company will be saving by moving more dividends to ACH from checks.

He said the company's bank charges about 5 cents to 8 cents to process an ACH credit, compared with 25 cents for a dividend

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Banks make inroads in short-term loan market

By Fred Williams

Banks are regaining some of the market for short-term commercial loans, lost in recent years to the increasing use of commercial paper.

The growth in the commercial paper market has slowed, due in part to the effort by banks to attract corporate treasurers and finance executives with lending vehicles that are more competitive than conventional short-term loans with commercial paper.

Among the major innovations are loan participation agreements and revolving credit lines linked to the federal funds rate.

In loan participations, banks price short-term loans to be competitive with commercial paper, then sell all or portions of the loans — and the risk — to other investors, such as other banks or corporations, to invest as treasury cash.

The originating bank profits on the fee for initiating the loan, rather than just by earning interest from holding the loan.

The popularity of loan participations by corporate borrowers is still uncertain. Some industry participants claim loan participations have slowed the growth in the commercial paper market since 1985.

But data show banks are regaining some lost ground in commercial lending.

According to the latest revised statistics of the Federal Reserve Bank of New York, the average amount of non-financial commercial paper outstanding peaked in 1985 at $86.9 billion. Non-financial paper outstanding fell to $76.5 billion in the first quarter of 1987 from $78.5 billion in the same period last year.

At the same time, short-term bank loans, as a percentage of all short-term, non-financial business credit, showed a slight increase for the first quarter to 27.17% from 26.17% in first quarter 1986.

Although improvement is evident, it still falls short of the banks' 27.59% share in the same period of 1985 and a 28.85% share in 1984.

And banks still have a lot of ground to cover to return to their position of 1980, when the use of commercial paper began to skyrocket.

In the last quarter of 1980, when non-financial commercial paper outstanding totaled $63.96 billion, banks had a 32.5% share of short-term, non-financial business credit.

To recapture a share of the lending market, banks are offering low-cost lines of credit.

Jackie Dout, manager cash operations and assistant treasurer at Koppers Corp., Pittsburgh, said banks are establishing uncommitted lines of credit for some of their customers with razor-thin margins over the federal funds rate.

"The bank has an internal line set up for you and you agree to an amount," Ms. Dout said. "They give you a quote usually based on the federal funds rate with a thin profit. Banks aren't pushing that because the spreads are so thin."

She said Koppers has not used loan participations, though she sees them as "something for the future."

Demand for loan participation agreements is growing.

James E. Cotton, managing director and head of asset sales at Chase Investment Bank, New York, a subsidiary of Chase Manhattan Bank, estimates loan participation volume has grown to $50 billion or $60 billion outstanding this year from $40 billion or $45 billion last year. In 1985, loan participations outstanding totaled $30 billion.

"Banks are now more competitive," Mr. Cotton said. He predicted loan participations "won't supplant commercial paper, but will serve as a complementary product," perhaps slowing the transition to commercial paper.

Corporate finance officers who use loan participations argue participations are competitive with commercial paper and, in some cases, cheaper than paper; those who don't use syndication are convinced commercial paper is the most economical short-term financing vehicle and use bank lines of credit to support their commercial paper sales.

William E. Beyer, manager-cash and banking at Portland General Corp., Portland, Ore., is an enthusiastic supporter of the bank syndication market as a short-term financing vehicle, contending costs are lower than for commercial paper.

"It is a massive market in which the real numbers don't show up anywhere," Mr. Beyer said. "I feel it is as big as the non-financial dealer placed commercial paper market already. Many large corporations still don't understand loan participations.

"For instance, today some of my paper sold at 6.69% yield for 40 days. And I did a 30-day LPA for 6.69%. I did a 60-day loan (participation) for 6.71%. The loan market is getting more competitive daily from my standpoint as a borrower.

"The kicker is that on my commercial paper, as with anyone else, you need to add a few more basis points to cover . . . the cost of printing, issuing and paying expenses, agent fees, time-sharing costs," Mr. Beyer continued.

"In my case these costs amount to about $70,000 per year. Add seven basis points on to the interest cost of a $100 million program and you have 6.69% plus seven basis points or 6.76%.

"Now look at commercial paper in comparison to LPAs. I think there is a revolution going on. I'm excited about it."

Mr. Beyer said he did a study internally of Portland General's short-term debt and found for the first six months of 1987, commercial paper cost averaged four basis points more than for the "all-in" loan participation cost for the same period.

Mr. Beyer said the growth in loan participations "is a huge trend and one that is basically invisible . . . It's the news story of the year in short-term finance."

Portland General has about $140 million outstanding short-term debt, $100 million in commercial paper and the balance in participations.

Another disciple of loan participation deals with banks is South-

Continued on page 24

Payden & Rygel index of short maturity assets*

(for month ended July 31)

	July 1987	Quarter ended 6/30/87	Year to date	12 months ended 7/31/87	Yield level monthly change*
90-day	0.4357	1.4288	3.3335	5.7645	34
U.S. Treasury bill	0.6021	1.5928	3.7491	6.3401	−16
Domestic C.D.	0.6229	1.6447	3.8051	6.4956	−20
Eurodollar C.D.					
180-day	0.4141	1.4921	3.3352	5.8835	24
U.S. Treasury bill	0.6272	1.3945	3.4451	6.0749	−12
Domestic C.D.	0.6523	1.4921	3.4893	6.2587	−15
Eurodollar C.D.					
1-year	0.4613	1.0982	2.8709	5.6298	12
U.S. Treasury note					
2-year	0.3655	0.1359	1.7358	4.8422	15
U.S. Treasury note					

*Figures are unannualized total returns. Year-to-date and 12-month figures linked monthly. Ninety- and 180-day Treasury bill yield level changes on discount basis.
*Basis points.
Source: Payden & Rygel, Los Angeles

PIPER

The statistical data are extracted from Pensions & Investments' Performance Evaluation Report, a quarterly performance evaluation published by Pensions & Investment Age. *PIPER details comparative performance data on equity and fixed-income funds at more than 200 banks and insurance companies. PIPER is compiled by Rogers, Casey & Barksdale Inc., Stamford, Conn.*

Short maturities lead fixed income

By Trudy Ring

Managers holding intermediate-maturity bonds were the best performers in periods of three years and longer covered by the Pensions & Investments' Performance Evaluation Report.

However, rising interest rates and plummeting bond prices made shorter maturities better performers in the most recent quarter. A mix of intermediate- and short-maturity managers appeared among the top performers for the past year.

United Bank of Denver once again topped the three-, five- and 10-year periods of the PIPER fixed-income survey, which covers 287 bank and insurance company pooled funds. This was the fifth consecutive quarter United Bank achieved this distinction.

Delaware Trust Co., Wilmington, was first for the year ended June 30, while Hawaiian Trust Co., Honolulu, placed first for the quarter.

Again, a majority of funds failed to outperform market indexes, except in shorter periods. For the quarter, the median PIPER fixed-income fund returned −1.6%, tying the Salomon Brothers Broad Investment Grade bond index and slightly outperforming the Shearson Lehman Government/Corporate bond index, which returned −1.9%.

For the year, the PIPER median was 5.3%, while the Salomon Brothers index returned 5.6% and the Shearson Lehman index, 4.7%. For the three-year period, the median fund was up 16.3%, while the Salomon Brothers and Shearson Lehman indexes were up 18% and 17.6% respectively. Figures for periods of more than a year are compound annual returns.

In the five years ended June 30, the median fund returned 15.3%, the Salomon Brothers index, 16.8%, and the Shearson Lehman index, 16.4%. For the 10-year period, the median fund returned 9.8% and the Shearson Lehman index, 10.1%. The Salomon Brothers index does not go back 10 years.

United of Denver achieved stellar performance in all periods of the survey. For the three-, five- and 10-year periods, its annualized returns were 27%, 21.9% and 12.7% respectively. For the year, it returned 6.5%, which placed it in the top 20% of all funds; for the quarter, its return was −1%, which kept it in the top 30%. Just more than 10% of the fixed-income funds surveyed had positive returns for the quarter.

United Capital Management, the subsidiary that manages the $3^ -illion pooled fund, invests on the basis of interest rate forecasts and sector spreads. "We've been fortunate to be anticipating interest rates pretty much correctly," said W. Lon Schreur, president.

The managers became more defensive and shortened the fund's maturity early in 1986. It had a 20-year average maturity for five years before that; the managers shortened maturities to an average of eight years and have been bringing the average maturity down gradually to the current six years.

The fund is about 90% in Treasury securities, with the rest in high-rated corporate bonds.

Another interest rate forecaster, Beverly Trust Co. (formerly Beverly Bank), Chicago, scored well with securities of intermediate maturities.

Beverly Trust was third among all funds for the 10-year period, returning 12.4%, and fifth for the year, with 9.2%. It was in the top 10% for the five- and three-year periods, with returns of 17.9% and 20.2% respectively. Performance was at the median, −1.6%, for the quarter.

The $7.5 million fund is in high-coupon, investment-grade, corporate bonds, said Ron Stajkowski, president. Average maturity is seven years. Interest rate forecasting is vital to the investment strategy, he said.

The mediocre performance for the quarter isn't meaningful, he

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PIPER fund tables

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Top equity, by size	34

Cyclicals spark equity leaders

By Hank Berkowitz

Investments in technology, paper and other out-of-favor cyclical industries fueled the portfolios of the top-performing equity managers in Pensions & Investments' Performance Evaluation Report for the periods ended June 30.

PIPER measures the performance of 310 commingled equity funds managed by bank and insurance companies.

First Fidelity Bank, Newark, N.J., was the top performing equity manager for the second quarter, returning 8.7% compared with the Standard & Poor's 500 stock index's return of 5%. Only one-fifth of the PIPER equity funds outperformed the benchmark during the quarter, with the median return being 3.2%.

First Fidelity was one of the few fundamental managers in the top 10% for the quarter, as contrarians and market timers gained top spots for the first time in several years.

Denver-based United Capital Management, the investment arm of United Bank of Denver, ranked second with a 7.8% return. It invests primarily in long out-of-favor capital goods industries like heavy equipment, machine tools, steel and aluminum.

Like many recently successful money managers, Lon Schreur, president of United Capital Management, shifted from consumer goods to capital goods. He expects the dollar's decline to benefit U.S. manufacturers, particularly **Caterpillar Inc.** and **Clark Equipment Co.**

Norstar Trust Co., Rochester, N.Y., another contrarian, ranked third at 7.5%. Norstar's $950 million portfolio is overweighted in computer technology firms and small- to intermediate-capitalized electronics companies, a sector that has lagged significantly in the bull market.

"We've been contrarians for quite some time," said Bart Feiden, senior investment officer, who places great emphasis on "finding undervalued, underfollowed situations," in the market.

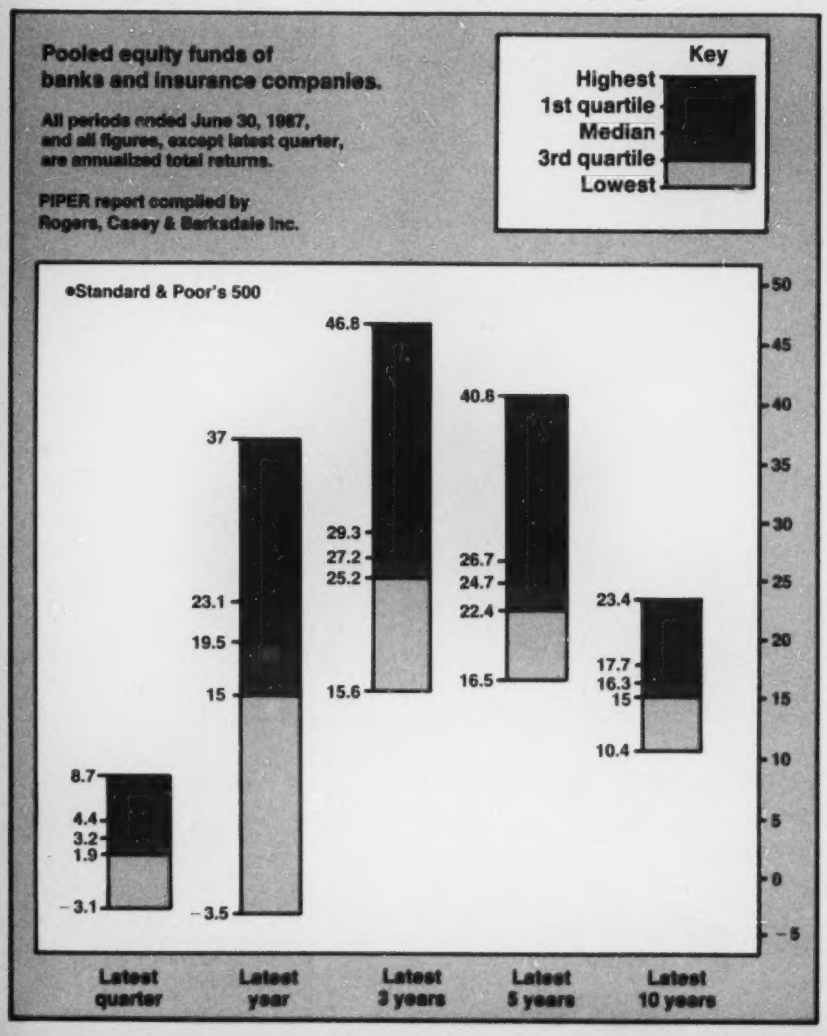
Another contrarian, AmSouth Bank, Birmingham, Ala., made a remarkable turnaround during the quarter, rising to fourth position from 285th at the end of March.

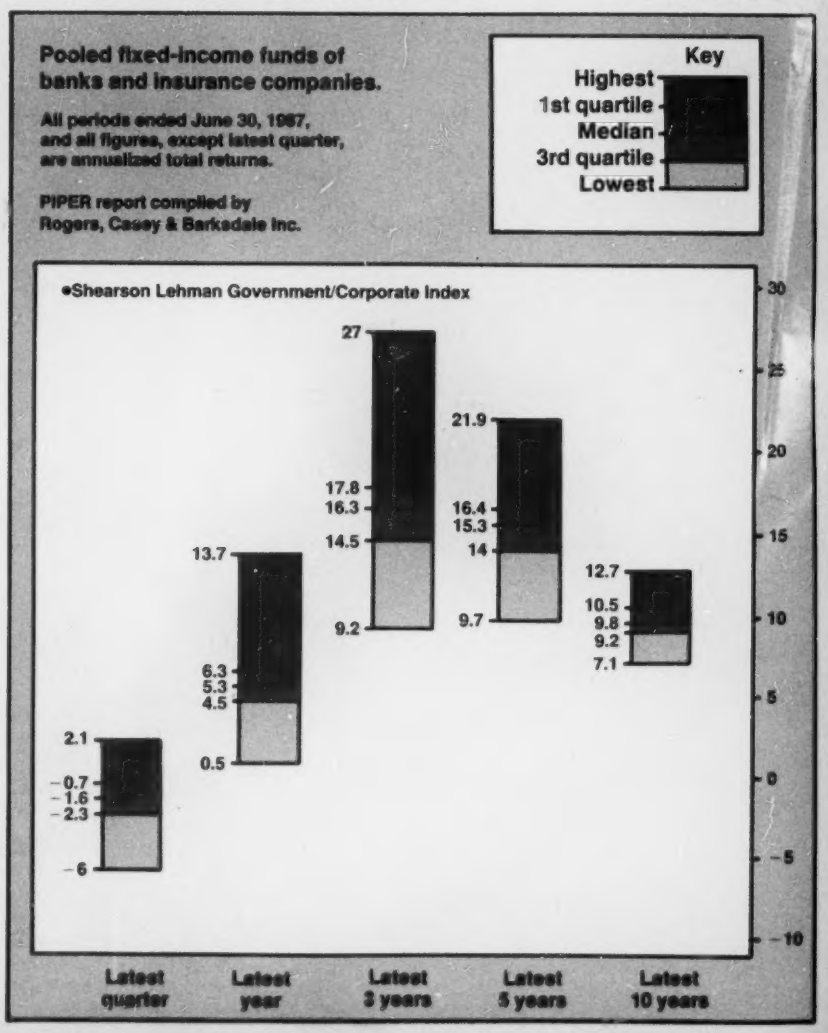
"Patience is required to stick with one's investment strategy," said John Goff, chief investment officer.

Mr. Goff favors large-capitalized companies in basic industries — **Texaco Inc.**, **Exxon Corp.**, **The Dow Chemical Co.** and **Deere & Co.** — all of which he expects to benefit from the lower dollar.

While non-traditional managers generally excelled in the most re-

Continued on page 38





Top quartile commingled fixed-income funds

1-year returns

	%
Delaware Trust Co.	13.7
Wellington Trust (Emerg. co.)	10.0
Sanwa Bank (C), Calif.	9.4
Columbus Bank & Trust, Ga.	9.3
Beverly Bank, Ill.	9.2
First Alabama, Mobile	9.2
Hawaiian Trust (Def.)	9.1
Colonial Amer. Nat'l (Inc.)	9.1
Transamerica Life Ins. (T-2)	8.9
Northern Central, Pa.	8.5
Trustmark Nat'l, Miss.	8.4
Mercantile Safe, Md.	8.3
First Variable Life, Ark.	8.2
First of Neenah (Mtg.), Wis.	7.8
Chase Manhattan (Sec. mtg.), N.Y.	7.7
Wheeling Dollar Bank, W. Va.	7.7
Central Fidelity (Mtg.), Va.	7.7
Pacific Mutual, Calif.	7.7
Signet Bank/Md. (Short term)	7.7
Chase Manhattan (A), N.Y.	7.6
First of Chicago	7.5
Colorado Nat'l Bank	7.4
Bankers Trust (A), N.Y.	7.4
Midlantic Nat'l, N.J.	7.4
Chase Manhattan (Short-int.), N.Y.	7.3
Valley Fidelity, Tenn.	7.2
Toledo Trust, Ohio	7.0
First City Nat'l Houston	7.0
Dauphin Deposit (Short term), Pa.	7.0
AmSouth (Ltd. mat.), Ala.	7.0
IAA Trust Co. (B), Ill.	7.0
E.F.Hutton (Inter. gov. B), Del.	7.0
Mercantile Safe (Inter.), Md.	6.9
Wachovia Bank, N.C.	6.9
Wellington Trust (Mtg. rel. sec.)	6.9
Prudential (VCA 8),N.J.	6.8
Norstar Trust Co., N.Y.	6.8
Texas Commerce (Low vol.)	6.8
United Mercantile Bank (A), Calif.	6.8
Central Bank Denver	6.7
Seafirst Bank, Wash.	6.7
Bank of America, Calif.	6.6
First of Neenah (Inter.), Wis.	6.6
Society Nat'l, Ohio	6.6
First of Neenah (Long term), Wis.	6.6
AmeriTrust (Reserve), Ohio	6.6
Exchange Nat'l Bank, Ill.	6.6
United of Denver	6.5
First Union Bank, N.C.	6.5
Cullen Bank, Texas	6.5
Commerce Union, Tenn.	6.5
Marine Midland, N.Y.	6.5
Shawmut Bank (Inter.) Mass.	6.4
Interfirst Bank Dallas (Inter.)	6.4
Bankers Trust (8), N.Y.	6.4
First Kentucky Trust	6.4
Sentry Life (D), Wis.	6.4
New York Life Ins. (4)	6.4
Continental Bancorp, Pa.	6.4
Harris Trust (Gain), Ill.	6.3
First of Elgin (D), Ill.	6.3
United Virginia Bank (Short term)	6.3
Jefferson Trust (Inc.), Ill.	6.3
Shearson Lehman G/C Index	**4.7**

5-year returns

	%
United of Denver	21.9
Delaware Trust Co. (Inc.)	20.2
First Interstate of Denver	20.0
Life of Virginia	19.8
Centerre Trust, Mo.	19.6
First Wis. Nat'l Madison	19.3
First Variable Life, Ark.	19.2
Connecticut Nat'l Bank	18.5
IAA Trust Co. (B), Ill.	18.5
Citicorp, N.Y.	18.5
Society Nat'l, Ohio	18.4
Colorado Nat'l Bank	18.4
AmSouth, Ala.	18.3
First Kentucky Trust	18.3
Sanwa Bank (C), Calif.	18.3
Equitable Life (5), N.Y.	18.3
CIGNA Corp. (Active), Conn.	18.2
American Security, D.C.	18.0
Colonial Amer. Nat'l (Inc.), Va.	18.0
Beverly Bank, Ill.	17.9
Central Fidelity (Mgd.), Va.	17.9
John Hancock, Mass.	17.9
Pacific Mutual, Calif.	17.9
First of Chicago	17.8
First of Chicago ($ fixed)	17.6
Nat'l Bank of Commerce, Neb.	17.6
First Variable Life (H.Q.), Ark.	17.6
Key Trust Co., N.Y.	17.5
Columbus Bank & Trust, Ga.	17.4
Wachovia Bank, N.C.	17.3
Bank of Calif. (Flexible)	17.2
First of Omaha (C), Neb.	17.1
CIGNA Corp. (Inter.), Conn.	17.1
Morgan Guaranty, N.Y.	17.1
Sovran Bank, Va.	17.1
Marine Midland, N.Y.	17.0
Bankers Trust (A), N.Y.	17.0
Philadelphia Nat'l, Pa.	16.9

Top fixed funds by size

1-year returns

Over $100 million

	%
TransAmerica Life Ins. (T-2)	8.9
Chase Manhattan (Sec. Mtg.)	7.7
Pacific Mutual, Calif.	7.7
First of Chicago	7.5
Chase Manhattan (Short-inter.)	7.3
Wachovia Bank, N.C.	6.9
Prudential (VCA 8), N.J.	6.8
First Union Bank, N.C.	6.5
Interfirst Bank Dallas (Inter.)	6.4
New York Life Ins. (S.A.4)	6.4

$50 million to $100 million

	%
Hawaiian Trust (Def.)	9.1
Trustmark Nat'l, Miss.	8.4
Chase Manhattan (A), N.Y.	7.6
Bankers Trust (A), N.Y.	7.4
Midlantic Nat'l, N.J.	7.4
AmSouth (Ltd. mat.), Ala.	7.0
Mercantile Safe (Inter.), Md.	6.9
Texas Commerce (Low vol.)	6.8
AmeriTrust (Reserve), Ohio	6.6
Exchange Nat'l Bank, Ill.	6.6

$10 million to $50 million

	%
Delaware Trust Co., Del.	13.7
Wellington Trust (Emerg. co.)	10.0
Sanwa Bank (C), Calif.	9.4
Columbus Bank & Trust, Ga.	9.3
First Alabama, Mobile	9.2
Mercantile Safe, Md.	8.3
Colorado Nat'l Bank	7.4
Valley Fidelity, Tenn.	7.2
Toledo Trust, Ohio	7.0
First City Nat'l Houston	7.0
Dauphin Deposit (Short term)	7.0
IAA Trust Co., N.Y.	7.0

Under $10 million

	%
Beverly Bank, Ill.	9.2
Colonial Amer. Nat'l (Inc.), Va.	9.1
Northern Central, Pa.	8.5
First Variable Life, Ariz.	8.2
First of Neenah (Mtg.), Wis.	7.8
Central Fidelity (Mgd.), Va.	7.7
Signet Bank/Md. (Short term)	7.7
E.F.Hutton (Inter. gov. B), Del.	7.0
Wellington Trust (Mtg. rel. sec.)	6.9
United Mercantile (A), Calif.	6.6

10-year returns

Over $100 million

	%
Sovran Bank, Va.	12.4
Centerre Trust, Mo.	11.8
Texas Commerce (Active)	11.8
Pacific Mutual, Calif.	11.7
American Security, D.C.	11.7
Bank of New England, Mass.	11.0
Boatmen's Nat'l, Mo.	10.9
Interfirst Bank Dallas (Inter.)	10.9
John Hancock, Mass.	10.7
Mercantile Bank (Coll.), Mo.	10.6
Citicorp, N.Y.	10.6
CIGNA Corp. (Active), Conn.	10.6

$50 million to $100 million

	%
Life of Virginia	12.0
Fidelity Bank, Pa.	12.0
Hibernia Nat'l, La.	11.5
First Kentucky Trust	11.4
AmeriTrust (Reserve), Ohio	10.9
Manufacturers Detroit	10.9
Bankers Trust (B), N.Y.	10.8
US Trust, N.Y.	10.8
Bankers Trust (A), N.Y.	10.6
First Fidelity (Inter.), N.J.	10.3

$10 million to $50 million

	%
United of Denver	12.7
Bank IV Wichita, Kan.	12.1
Seafirst Bank, Wash.	11.6
First Wis. Nat'l Madison	11.5
First Interstate of Calif.	11.3
Sanwa Bank (C), Calif.	11.3
Merchants Nat'l, Pa.	11.0
American Nat'l Bank, Tenn.	10.9
Cullen Bank, Texas	10.8
Toledo Trust,Ohio	10.7
Commerce Union, Tenn.	10.7

Under $10 million

	%
Beverly Bank, Ill.	12.4
Central Fidelity (Mgd.), Va.	11.2
Colonial Amer. Nat'l (Inc.), Va.	10.6
Oregon Bank	10.5
First of Neenah (Inter.), Wis.	10.3
Assoc. Manitowoc (High inc.)	10.1
First Nat'l Lincoln, Neb.	9.9
American Nat'l Bank, Ind.	9.7
First in Bartlesville, Okla.	9.7
Old Second Nat'l (HR 10), Ill.	9.6

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First Interstate of Calif.	16.9
Liberty Nat'l, Ky.	16.8
First Alabama, Mobile	16.8
Travelers (P), Conn.	16.7
Hawaiian Trust	16.7
State Street Bank, Mass.	16.6
Republic Nat'l Dallas	16.6
Toledo Trust, Ohio	16.6
American Nat'l (Inc.), Minn.	16.5
Trust of Georgia (TRFIF)	16.5
Mutual of New York (Public)	16.4
Northern Trust, Ill.	16.4
California First Bank	16.4
Citizens C&S (Inter.), Mich.	16.4
Shearson Lehman G/C Index	**16.4**
Wheeling Dollar Bank, W.Va.	16.4
Confederation Life (Amer.), Ont.	16.4

10-year returns

	%
United of Denver	12.7
Sovran Bank (Inst.), Va.	12.4
Beverly Bank, Ill.	12.4
Bank IV Wichita, Kan.	12.1
Life of Virginia	12.0
Fidelity Bank, Pa.	12.0
Centerre Trust, Mo.	11.8
Texas Commerce (Active)	11.8
Pacific Mutual, Calif.	11.7
American Security, D.C.	11.7
Seafirst Bank, Wash.	11.6
First Interstate of Denver	11.6
Hibernia Nat'l, La.	11.5
First Wis. Nat'l, Madison	11.5
First Kentucky Trust	11.4
Manufacturers Hanover, N.Y.	11.3
First Interstate of Calif.	11.3
Sanwa Bank (C), Calif.	11.3
Central Fidelity, Va.	11.2
Morgan Guaranty, N.Y.	11.2
First Jersey Nat'l, N.J.	11.2
Merchants Nat'l, Pa.	11.0
Bank of New England, Mass.	11.0
Boatmen's Nat'l, Mo.	10.9
Interfirst Bank Dallas (Inter.)	10.9
AmeriTrust (Reserve), Ohio	10.9
Manufacturers Detroit	10.9
American Nat'l Bank, Tenn.	10.9
Bankers Trust (B), N.Y.	10.8
U.S. Trust, N.Y.	10.8
Cullen Bank,Texas	10.8
Toledo Trust, Ohio	10.7
Commerce Bank, Tenn.	10.7
John Hancock, Mass.	10.7
Mercantile Bank, Mo.	10.6
Citicorp, N.Y.	10.6
Bankers Trust (A), N.Y.	10.6
Connecticut Nat'l Bank	10.6
CIGNA Corp. (Active), Conn.	10.6
Colonial Amer. Nat'l (Inc.), Va.	10.6
First Bank Milwaukee, Wis.	10.5
First of Neenah (Long term), Wis.	10.5
American Nat'l (Inc.), Minn.	10.5
IAA Trust Co. (B), Ill.	10.5
First of Maryland	10.5
Oregon Bank	10.5
Indiana Nat'l Bank	10.5
Jefferson Trust, Ill.	10.5
Bessemer Trust, N.Y.	10.5
Shearson Lehman G/C Index	**10.1**

Top quartile commingled equity funds

1-year returns

	%
Sun Bank, Fla.	37.0
Norstar Trust Co., N.Y.	34.4
First Fidelity (Discret.), N.J.	33.9
Cullen Bank, Texas	33.1
Irving Trust, N.Y.	31.3
Commerce Bank-K.C., Mo.	30.0
Wellington Trust (Inc.), Mass.	28.9
Phoenix Mutual, Conn.	27.9
Wachovia Bank, N.C.	27.7
Southtrust Bank, Ala.	27.4
Wellington Trust (Div. Gro.)	27.4
First City Nat'l Houston	27.3
Wachovia Bank (Eq. mgmt.), N.C.	27.0
Citicorp (Styleshift), N.Y.	26.9
First Alabama Bank (1)	26.8
CREF	26.8
United of Denver	26.7
Valley Nat'l (1), Ariz.	26.6
Frost Nat'l (A), Texas	26.3
Puget Sound Nat'l, Wash.	26.2
Central Penn., Pa.	26.1
Mutual of N.Y. (Inc.)	26.1
Wheeling Dollar Bank, W.Va.	26.0
Security Pacific (E), Calif.	25.9
General American (Index), Mo.	25.7
Morgan Guaranty (Lg. co.), N.Y.	25.6
Bank of the West, Calif.	25.6
Citicorp (Indexplus), N.Y.	25.5
First of Boston	25.5
State Street (Matrix Syn.), Mass.	25.5
John Hancock (1K), Mass.	25.3
Travelers (Sep. Acct.), Mass.	25.3
Standard & Poor's 500	**25.2**

Continued on page 38

Top equity funds by size

1-year returns

Over $100 million

	%
Sun Bank, Fla.	37.0
Citicorp (Styleshift), N.Y.	26.9
CREF	26.8
First of Boston, Mass.	25.5
John Hancock (1K), Mass.	25.3
Travelers (Sep. acct.), Conn.	25.3
American Nat'l Chicago (S&P)	25.1
Wells Fargo (Index), Calif.	25.0
First Interstate of Calif.(Index)	25.0
Bankers Trust (Index), N.Y.	24.9
Bank of America (Index), Calif.	24.9

$50 million to $100 million

	%
Norstar Trust Co., N.Y.	34.4
Phoenix Mutual, Conn.	27.9
First City Nat'l Houston	27.3
Central Penn., Pa.	26.1
Citicorp (Indexplus), N.Y.	25.5
Citytrust (E1), Conn.	24.7
Society Nat'l (Rel. value), Ohio	24.4
Sovran Bank, Va.	24.3
Interfirst Bank Dallas (Inc.)	23.8
United Missouri, Kan.	23.8
Citicorp (Int.), N.Y.	23.8

$10 million to $50 million

	%
First Fidelity (Disc.), N.J.	33.9
Cullen Bank, Texas	33.1
Irving Trust, N.Y.	31.3
Commerce Bank-K.C., Mo.	30.0
Wellington Trust (Inc.), Mass.	28.9
Wachovia Bank, N.C.	27.7
Southtrust Bank, Ala.	27.4
Wachovia Bank (Eq. mgmt.)	27.0
First Alabama Bank (1)	26.8
United of Denver	26.7

Under $10 million

	%
Wellington Trust (Divers.)	27.4
Puget Sound Nat'l, Wash.	26.2
Bank of the West, Calif.	25.6
Bank of Calif. (Inc.& gro.)	23.9
Nat'l Bank Commerce, Tenn.	23.3
Oregon Bank	23.0
Signet Bank/Maryland (D)	20.3
Fidelity Mgmt. (Earn. gro.)	20.3
Mercantile Nat'l, Ind.	18.5
Central Bank Denver	17.5
Associated Manitowoc, Wis.	17.5

10-year returns

Over $100 million

	%
Sun Bank, Fla.	23.4
US Nat'l Oregon (Qualivest)	20.2
MTrust (Gro.), Texas	20.1
Provident Nat'l, Pa.	20.0
Bessemer Trust, N.Y.	19.7
Manufacturers Detroit	19.7
Philadelphia Nat'l	19.6
Equitable Life (4), N.Y.	19.5
Continental Bancorp, Pa.	19.5
Texas Commerce (Divers.)	19.4

$50 million to $100 million

	%
Nat'l Bank of Commerce, Neb.	20.3
Norstar Trust Co., N.Y.	18.0
First Fidelity Bank, N.J.	18.0
AmSouth, Ala.	17.8
Citytrust (E1), Conn.	17.7
First City Nat'l Houston	17.5
Colorado Nat'l Bank	17.4
Phoenix Mutual, Conn.	17.2
Mercantile Safe, Md.	17.2
First Kentucky Trust	16.9

$10 million to $50 million

	%
First Union Bank, N.C.	20.9
First Trust Corp., Colo.	20.3
Citizens Chillicothe (B), Mo.	20.2
Guardian Ins.(V.A.1), N.Y.	19.8
Confederation Life, Ontario	19.7
First Interstate of Okla.	19.6
US Nat'l of Galveston, Texas	19.2
First of Omaha (D), Neb.	19.1
Emp. Life of Wausau (S.A.1)	19.1
Nationwide Life Ins., Ohio	19.0

Under $10 million

	%
Unibanctrust, Ill.	17.3
First of Neenah, Wis.	17.3
Puget Sound Nat'l, Wash.	16.6
Merchants Nat'l (2), Ind.	16.3
Signet/Maryland (D)	16.3
Union Central, Ohio	15.7
Bank of Calif. (Inc.& gro.)	15.6
Boston Safe Deposit	15.4
Oregon Bank	15.4
American Nat'l (Gro.), Ind.	14.9

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Continued from page 34

First Wisconsin Trust (Index)	25.2
State Street Bank (S&P)	25.2
American Nat'l Chicago (S&P)	25.1
Wells Fargo (Index), Calif.	25.0
First Interstate of Calif. (Index)	25.0
Bankers Trust (Index),N.Y.	24.9
Bank of America (Index),Calif.	24.9
Crown Life (US Grp.), Ontario	24.8
Bank of New England, Mass.	24.7
Citytrust (E1), Conn.	24.7
American Security, D.C.	24.5
South Carolina Nat'l	24.5
Morgan Guaranty, N.Y.	24.5
State Street (Value 1), Mass.	24.4
Society Nat'l (Rel. value), Ohio	24.4
Sovran Bank, Va.,	24.3
Nat'l City Cleveland	24.1
American Nat'l, Minn.	24.0
First Alabama, Mobile	24.0
Home Life, N.Y.	23.9
Bank of Calif. (Inc.& Gro.)	23.9
Interfirst Bank Dallas (Inc.)	23.8
United Missouri, Kan.	23.8
Hibernia Nat'l, La.	23.8
Citicorp (Integrated), N.Y.	23.8
Wells Fargo (Tilts & Timing), Calif.	23.8
Bank of California (Inc.)	23.7
Mellon Bank, Pa.	23.6
State Street Bank, Mass.	23.5
Nat'l Bank of Commerce, Tenn.	23.3
AmSouth, Ala.	23.3
Mutual of N.Y. (Growth)	23.2
Allied Bank, Texas	23.1
Confederation Life, Ontario	23.1

5-year returns

	%
Sun Bank, Fla.	40.8
First Union Bank, N.C.	32.0
Bank of New England (Val. path)	31.8
Morgan Guaranty (Lg. co.), N.Y.	30.1
First RepublicBank, Texas	29.9
Cullen Bank, Texas	29.7
First Interstate of Oregon (EBT)	29.7
First Interstate of Denver (Value)	29.7
Provident Nat'l, Pa.	29.6
Mellon Bank, Pa.	29.5
John Hancock (1L), Mass.	29.4
Principal Mutual Life, Iowa	29.4
Manufacturers Detroit	29.3
MTrust (Value), Texas	29.0
Lake Shore Nat'l, Ill.	28.9
CREF	28.9
Guardian Ins. (V.A.1), N.Y.	28.7
John Hancock (1K), Mass.	28.6
Citicorp (Indexplus), N.Y.	28.5
First Trust Corp., Colo.	28.4
Citytrust (E1), Conn.	28.2
Mutual Benefit, N.J.	28.2
First of America, Mich.	28.0
Nationwide Life Ins., Ohio	28.0
Fidelity Mgmt. Trust (Inc.), Mass.	28.0
Bankers Trust (Index), N.Y.	28.0
Wells Fargo (Index), Calif.	28.0
Standard & Poor's 500	**27.9**
American Nat'l Chicago (S&P)	27.9
First Fidelity (Discret.),N.J.	27.8
State Street Bank (S&P), Mass.	27.8
Irving Trust, N.Y.	27.7
Continental Bancorp, Pa.	27.7
Connecticut Mutual Life (CM)	27.6
First of Omaha (D)	27.6
First Alabama, Mobile	27.6
Society Nat'l (Rel. value), Ohio	27.6
American Nat'l Chicago (Active)	27.3
Philadelphia Nat'l	27.3
Colorado Nat'l Bank	27.3
Marine Midland, N.Y.	27.3
First Fidelity Bank, N.J.	27.3
Texas Commerce (Divers.)	27.2
Valley Nat'l (1), Ariz.	27.2
First of Neenah, Wis.	27.2
Morgan Guaranty, N.Y.	27.2
Prudential (Priform-low p/e), N.J.	27.1
Oregon Bank	27.1
Norstar Trust Co., N.Y.	27.0
First Interstate of Okla.	26.9
Nat'l City Cleveland	26.9
State Street Bank, Mass.	26.8
Citicorp, N.Y.	26.8
MTrust (Gro.), Texas	26.7
Signet Trust Co., Va.	26.7
Sovran Bank, Va.	26.7
Nat'l Bank of Commerce, Tenn.	26.7

10-year returns

	%
Sun Bank, Fla.	23.4
First Union Bank, N.C.	20.9
First Interstate of Denver	20.7
Nat'l Bank of Commerce, Neb.	20.3
First Trust Corp., Colo.	20.3
Citizens Chillicothe (B), Mo.	20.2
US Nat'l Oregon (Qualivest)	20.2
MTrust (Gro.), Texas	20.1
Provident Nat'l, Pa.	20.0
Guardian Ins. (1), N.Y.	19.8
Confederation Life, Ontario	19.7
Bessemer Trust, N.Y.	19.7
Manufacturers Detroit	19.7
Philadelphia Nat'l	19.6
First Interstate of Okla.	19.6
Equitable Life (4), N.Y.	19.5
Continental Bancorp, Pa.	19.5
Texas Commerce (Divers.)	19.4
US Nat'l of Galveston, Texas	19.2
First of Omaha (D), Neb.	19.1
Employers Life of Wausau (S.A.1)	19.1
Nationwide Life Ins., Ohio	19.0
American Nat'l Chicago (Active)	19.0
Nat'l City Cleveland	19.0
United of Denver	18.7
Lake Shore Nat'l, Ill.	18.7
Home Life, N.Y.	18.7
Principal Mutual Life, Iowa	18.6
Omaha Nat'l Bank, Neb.	18.6
MTrust (Value), Texas	18.5
First Interstate of Oregon (EBT)	18.4
Wheeling Dollar Bank, W. Va.	18.4
First of America, Mich.	18.3
First RepublicBank, Texas	18.3
Signet Trust Co., Va.	18.2
Fifth Third Bank, Ohio	18.1
First Interstate of Wash.	18.1
Citicorp, N.Y.	18.1
Norstar Trust Co., N.Y.	18.0
First Fidelity Bank, N.J.	18.0
Bank of Tokyo, N.Y.	17.9
Massachusetts Mutual	17.8
CIGNA Corp. (S.A. A), Conn.	17.8
AmSouth, Ala.	17.8
Equitable Life (Q-vest 18), N.Y.	17.7
Citytrust (E1), Conn.	17.7
Aetna Life & Casualty, Conn.	17.7
C&S Trust Florida	17.7
Valley Fidelity, Tenn.	17.7
Standard & Poor's 500	**17.2**

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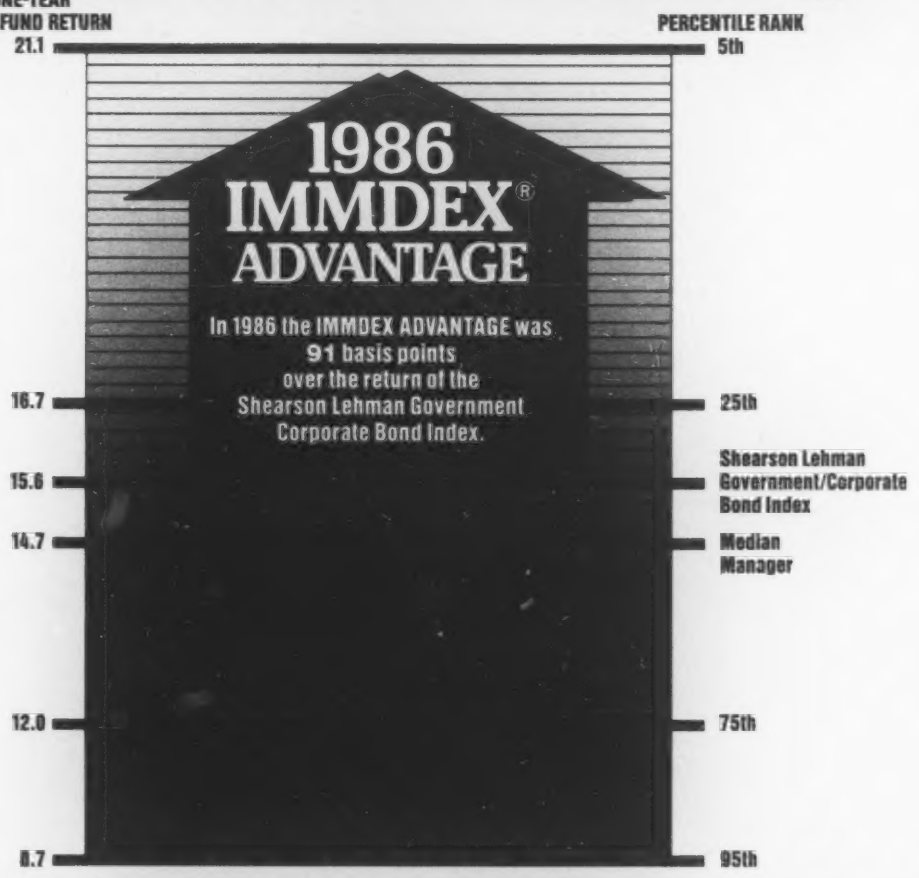

One-year total fund rates of return for the period ended December 31, 1986. Source SEI

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FIRST WISCONSIN TRUST COMPANY

Cyclical . . .

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cent quarter, fundamental managers dominated the longer-term rankings.

Once again, Sun Banks Inc., Orlando, Fla., was the top-performing PIPER equity manager in the long term, ranking first in the one-, three-, five- and 10-year periods ended June 30. Its 12-month return of 37% was nearly double the S&P's 19.5%. For the three years it returned 46.8%, vs. the S&P 500's 30.6%; for the five years, 40.8% vs. 27.9%; and for 10 years, 23.4%, vs. 17.2%. All returns for more than a year are compound annualized.

The fund also was strong in the short term, finishing in the top 10% with 5.9%.

Sun Banks' portfolio is "overweighted" in technology stocks such as **Digital Equipment Corp.**, **Tandon Corp.**, **Apple Computer Inc.**, **Computer Associates International Inc.** and **Intel Corp.**, said Elliot Perny, executive vice president of investment management.

The median equity fund returned 19.5% for the year ended June 30, compared with the S&P's 25.2%. Only one-eighth of the equity managers tracked by PIPER managed to beat the index during the period.

Norstar Trust, third-ranked during the quarter, finished second in the yearly rankings, posting a 34.4% return, despite doubling its cash position to nearly 20%.

Norstar looks for "underfollowed" small- and medium-cap companies, said Bart Feiden, senior investment officer, adding there have not been a lot of good values available in recent months.

Norstar's portfolio is weighted toward emerging growth companies in the high-tech area, like semiconductor manufacturer **Kulicke & Soffa Industries Inc.**, "which are about due" after lagging the bull market, Mr. Feiden said.

Rounding out the top five for the year were First Fidelity, with a 33.9% return; Cullen Center Bank & Trust, Houston, with 33.1%; and Irving Trust Co., New York, 31.3%.

Cullen left the consumer goods sector last year, selling **K mart Corp.**, **Southland Corp.** and **Dayton-Hudson Corp.** and increased its holdings in technology, chemicals and paper.

Continued on page 39

Short maturities . . .

Continued from page 31

said, as the trust company manages for the long term.

The peak in interest rates likely has passed, he added, because the Federal Reserve will keep rates at the current level or lower because of concern for the financial community.

Interest rate forecasts don't figure in the strategies of some other good long-term performers, but they also did well with intermediate-maturity bonds.

Delaware Trust, the best performer of the year with 13.7%, stays fully invested in high-quality securities with a 10-year average maturity, said Kenneth L. Holmes, vice president and investment marketing manager.

"Interest rate forecasts are unreliable, so we don't take the added risk of acting upon them," he said.

Delaware Trust's bond fund, now at $21 million, also performed well in the five-year period, when it was second with 20.2%, and the three-year span, when it was fourth with 23.2%. It is too new for the 10-year period. In the most recent quarter, it slipped below the median with −2.1%.

"We have had quarters of that kind from time to time," Mr. Holmes said. That's just a function of the fund's strategy, staying fully invested and not trying to time the market, he said.

As of June 30, the fund was 91% in mortgage-related securities, with most of the remainder in municipal bonds. "We're not afraid to use a high- quality municipal in a pension account when it's the best thing around," Mr. Holmes said.

First Interstate Bank of Denver's bond fund also achieved good long-term performance with issues in the intermediate range. First Interstate's pooled fund, managed by Denver Investment Advisors Inc., placed third for the five- and three-year periods, with annualized returns of 20% and 23.9% respectively. It also was in the top 10% for the 10 years, with 11.6%.

It was just above the median for the year, with 5.5%, and slipped to the bottom 20% for the quarter, with −2.8%.

The short-term returns were a function of the fund's duration and an increase in interest rates, said Jay Barr, vice president of Denver Investment Advisors. The management firm does not try to forecast interest rates, but concentrates on security selection, he said. The $50 million fund is about 75% in corporate issues, with the remainder in Treasuries.

The holdings have an average duration of seven years; this had been longer at some points in the periods measured, leading to the good long-term performance, Mr. Barr said. He considers duration a better measure of risk than maturity; duration is the period it takes an investor to get back half of a bond's present value.

Short maturities were the hallmark of funds that did well in the most recent quarter. Hawaiian Trust's defensive fund, which topped the quarter's rankings by gaining 2.1%, has an average maturity of 2½ years, said William Barton, chief investment officer. It is 85% in "collapsible" guaranteed investment contracts, which can be redeemed on six months' notice, and 15% in money market instruments.

The fund does better in bearish bond markets than in bullish ones, he said. It was in the top 10% for the year, with a return of 9.1%, but was in the bottom 10% for the three-year period, with 10.2%. Begun in 1983, it was too new for other periods of the survey.

Trustmark National Bank, Jackson, Miss., also did well in the quarter and year with a defensive, short-maturity posture. Its bond fund was third in the quarter, with 1.5%, and in the top 10% on the year, with 8.4%. It was in the bottom 20% for the three- and five-year periods, at 12.7% and 13.3% respectively, and slightly above the median for the 10-year time frame, with 10.1%.

The fund definitely does better in down markets, said Bill Wardlaw, senior vice president and trust officer. "Our typical customer is looking more for preservation of capital than for high numbers," he said.

The $95 million fund is 70% in Treasuries and 30% in GICs. Average maturity is 2½ years, down from 3½ in the past 12 months. The fund's guidelines state it cannot have a maturity longer than five years. ■

Cyclical . . .

Continued from page 38

Robert McAshan, Cullen's chief investment officer, likes **United Technologies Corp., Motorola Inc., Xerox Corp., Telex Corp.** and **IBM Corp.** and tends to stay away from smaller-cap holdings in those industries.

Cullen also finished in the top 10% for the three- and five-year periods, returning compound annualized returns of 31.6% and 29.7%.

In the three-year rankings, Sun Banks' nearest competitor was First of America Investment Management, Kalamazoo, Mich., a subsidiary of First of America Bank Corp., with 36.2%, followed by Bank of the West, San Jose, Calif., with 35.2%; Puget Sound National Bank, Seattle, Wash., 34.8%; and IDS Trust Co., Minneapolis, 34.4%. The median equity fund returned 27.2% during that period, compared with the S&P's 30.6%.

Its closest competitors in the five-year period were First Union Bank, Charlotte, N.C., with a compound annualized 32%; Bank of New England, Springfield, Mass., with 31.8%; Morgan Guaranty Trust Co., New York, 30.1%; and First RepublicBank, Dallas, 29.9%. By comparison, the median PIPER fund returned 24.7% and the S&P, 27.9%.

In the 10-year period, Sun Banks' compound annual return of 23.4% outdistanced First Union with 20.9%; First Interstate Bank of Denver, 20.7%; National Bank of Commerce Trust & Savings Association, Lincoln, Neb., 20.3%; and First Trust Corp., Denver, 20.3%. The median fund returned 16.3% and the S&P, 17.2%.

Unlike many money managers, William Hackney, First Union's chief investment officer, said his $2 billion equity portfolio is still fully invested.

Today's market is "liquidity driven, not market driven," Mr. Hackney said, adding the large volume of overseas money entering U.S. financial markets means "there's still plenty of cash to prop up stock prices."

He likes large-cap companies in the paper, chemicals, computers and industrial machinery sectors. "They're not flash-in-the-pan industries. (They'll) be leaders through the rest of the decade."

Mr. Hackney said managing money is difficult because "there are new rules to the game as far as valuation goes."

Traditional screens such as price-earnings ratios over 20, and dividend yields below 3%, for example, are no longer applicable, he said, because new depreciation schedules have surpassed reported earnings and because declining inflation rates have accelerated writeoffs in dividend interest. ■

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